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C O N F I D E N T I A L SECTION 01 OF 02 AMMAN 009367

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TAGS: [EFIN](#) [PINR](#) [JO](#)

SUBJECT: CBJ DEPUTY GOVERNOR ON BUDGET HOPES, NEW FINANCE MINISTER, AND THE 11/9 BOMBINGS

REF: A. AMMAN 9036

[1](#)B. AMMAN 8949

Classified By: DCM Daniel Rubinstein for reasons 1.4 (b) and (d)

[1](#)1. (C) SUMMARY: Central Bank of Jordan Deputy Governor Faris Sharaf expects that next year's budget deficit could be lower than expected, thanks to the cautious assumptions made in the budget. New Deputy Prime Minister and Finance Minister Ziad Fariz's extensive banking and finance background will be of major help in addressing Jordan's fiscal problems and dealing with the Parliament. Beyond the tourism sector, Sharaf has seen little economic impact from the 11/9 bombings in Amman. The attacks may help the government get the Anti Money Laundering law through Parliament. END SUMMARY.

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Budget Hopes  
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[1](#)2. (C) Ecouns called on one of the two Deputy Governors of the Central Bank of Jordan, Faris Sharaf, November 30. Sharaf welcomed the budget released two weeks earlier (Ref A), and expects this year's budget deficit to improve to 4.6% of GDP. Looking ahead to 2006, he expects the projected budget deficit of 7.5% is too pessimistic. Sharaf believes that the conservative approach of this budget -- counting only guaranteed foreign aid and assuming \$60/barrel oil -- will mean the deficit could fall to 4.8% or even lower. Continued improvements in tax revenues and a tight lid on government spending will help make a lower deficit possible. This optimistic scenario is possible despite the expected slowing of economic growth to 5-6%, as the CBJ continues to raise interest rates to control inflation.

[1](#)3. (C) Sharaf emphasized to Ecouns his concern regarding Jordan's continued reliance on foreign aid. He believes the government needs to continue with structural reforms, tax reforms, and controlling government spending, rather than relying on others. Sharaf prefers securitizing portions of the government's debt, particularly the debt which predates the Debt Management Law, passed in 2001, maintaining that such steps would address both the country's debt and fiscal problems.

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DPM and Finance Minister Ziad Fariz  
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[1](#)4. (C) Sharaf expects new Deputy Prime Minister (DPM) and Finance Minister Ziad Fariz to be a strong leader of the GoJ's economic team who will bring to the job extensive experience in government and the private sector, having been Planning Minister, Trade Minister, Governor of the CBJ, and head of a successful Jordanian bank. Sharaf said he dined with Fariz and former Finance Ministers Kodah and Marto the night before and was impressed by Fariz' understanding of Jordan's economy and awareness of the key role of fiscal policy in the economy. COMMENT: Due to the Jordanian Dinar's peg to the dollar, Sharaf sees little scope for monetary policy in Jordan, beyond fighting inflation through interest rate rises. END COMMENT. He expects Fariz will be a successful advocate for fiscal control within the Cabinet, and perhaps even more importantly, to work effectively with the Parliament.

[1](#)5. (C) In Sharaf's view, Fariz will have a cultural and personality advantage over his predecessor: he hails from Salt, an old and established town just outside of Amman. Salt natives are stereotyped as crusty, conservative and reserved, earning them a certain level of respect from other Jordanians. However, Sharaf claims that Fariz has a soft interior with a deft sense of humor which should serve him well in his interpersonal relations.

[1](#)6. (C) Fariz will not try to micro-manage central banking as CBJ Governor, according to Sharaf, and will not be distracted by his DPM duties from devoting sufficient time to the Finance Ministry. On the contrary, Sharaf sees the elevation of the role of Finance Minister to the DPM level in the new government as an indicator of the importance the King places on the government's finances. Under Fariz, coordination

between the Ministry and the CBJ should continue to improve, especially in coordinating their CD and T-bill issuances in the future. COMMENT: This should help prevent another spike in interest rates like the one in October when the Ministry had to pay nearly 8% in order to clear the market of T-bills it had issued immediately after the CBJ had mopped up liquidity with a CD issuance. END COMMENT.

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The November Bombings  
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17. (C) Sharaf told Econs he did has not yet seen major economic fall-out from the 11/9 bombings. There was no pressure on the Dinar, no large withdrawals of cash from Jordan's banks, and no unusual activity in the stock market. There had inevitably been an impact on the tourism sector. Sharaf hopes that tourists realize that terrorism is not a Jordanian problem but a world problem. In a sense, he was relieved the attacks had finally occurred. Jordanians had long expected and feared a major attack, and expected that the country would collapse afterwards. The fact that had not happened should reassure the public. Sharaf's main fear was of a sustained series of terrorist attacks against Jordan which would hit the tourism sector hard. Tourism is a major support of the Jordan economy, generating employment, foreign currency receipts and many indirect economic benefits. A significant, long-term fall in tourism would hit Jordan's economy very hard.

18. (C) Ecouns asked whether the government would support implementing a cash disclosure system and adopting a system for banks to run namechecks against UN and other lists, including that maintained by the Treasury's Office of Foreign Assets Controls (OFAC). Sharaf was not certain a cash disclosure system would be effective, but argued that it was a step Jordanian Customs could consider. As for including the OFAC list among the lists against which banks should check potential account holders, Sharaf agreed to consider it. He saw no difficulty in issuing a circular recommending the step; for jurisdictional reasons, he doubted the CBJ could make it a regulation. In both of these areas, Sharaf believes that passage of the AML law currently before Parliament will give the government the legal and regulatory basis on which to move ahead with these and other initiatives. Indeed, he suggested that the Jordanian government might want to consider folding the AML law into the Anti-terrorism Law package it will be presenting to Parliament shortly.

HALE